



# STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

# DRAFT

Date:	05/23/14	Bill No:	<a href="#">Assembly Bill 1434</a>
Tax Program:	Low-Income Water Rate Assistance	Author:	Yamada
Sponsor:	Author	Sections:	GC 12092
Related Bills:		Effective:	01/01/15

## BILL SUMMARY

Among other things, this measure requires the State Board of Equalization (BOE), in collaboration with the Department of Community Services and Development (Department) and relevant stakeholders, to develop a Low-Income Water Rate Assistance Program (Program) funding and implementation plan.

### Summary of Amendments

Among other things, the amendments since the previous analysis remove the requirement that a funding source be identified and moneys appropriated prior to the establishment of the Program.

## ANALYSIS

### CURRENT LAW

The BOE annually collects the [water rights fee](#), which applies to owners of water rights. Among other things, current law<sup>1</sup> requires each person or entity that holds a permit or license to appropriate water and each lessor of water to pay the annual fee according to a fee schedule established by the State Water Resources Control Board (SWRCB).<sup>2</sup>

Water Code Section 1537 requires the BOE to collect all annual fees and other fees referred to the BOE by the SWRCB for collection. The BOE collects the fees pursuant to the Fee Collection Procedures Law.<sup>3</sup>

The BOE deposits the fees collected into the Water Rights Fund in the State Treasury.

The BOE also administers and collects a surcharge on all natural gas consumed in this state.<sup>4</sup> A public utility gas corporation is required to collect the [natural gas surcharge](#) from any person consuming natural gas in this state who receives gas service from that corporation and remit the surcharge quarterly to the BOE. In addition, all persons consuming natural gas in this state that has been transported by an interstate pipeline must pay the surcharge directly to the BOE on a quarterly basis. The BOE transmits the payments to the Treasurer for deposit in the Gas Consumption Surcharge Fund, which is used to fund low-income assistance programs, cost-efficient energy efficiency and conservation activities, and public interest research and development.

<sup>1</sup> Chapter 8 (commencing with Section 1525) of Part 2 of Division 2 of the Water Code.

<sup>2</sup> Water Code Section 1525.

<sup>3</sup> Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code.

<sup>4</sup> Article 10 (commencing with Section 890) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code.

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**PROPOSED LAW**

This bill adds Section 12092 to the Government Code to establish the Low-Income Water Rate Assistance Act (Act). Among other things, the Act requires the Department, in collaboration with the BOE and relevant stakeholders, to develop a funding and implementation plan for a Program no later than January 1, 2016. The Act requires the Program to include a description of:

- a fund collection method to support and implement the Program;
- the Program's funding assistance mechanism through direct enrollee credits or water service provider reimbursement; and
- the methodology to determine the amounts to collect from water ratepayers in order to fund the Program.

The Act specifically states that it does not authorize the imposition of a state charge to fund the Program.

The Act defines the following terms:

- "Board" means the State Board of Equalization.
- "Department" means the Department of Community Services and Development.
- "Low-income" means a household with income that is equal to or no greater than 200% of the federal poverty guideline level. For one-person households, program eligibility shall be based on two-person household guideline levels.
- "Program" means the Low-Income Water Rate Assistance Program.

The bill becomes effective January 1, 2015.

**IN GENERAL**

Created in 1879 by a constitutional amendment, the BOE was initially responsible for ensuring that county property tax assessment practices were equal and uniform throughout California.

The BOE began to levy four new taxes, including insurance and corporate franchise taxes, in 1911 to produce revenue for services throughout the state. As a result of the Great Depression, the BOE assumed the collection of the newly created sales tax in 1933 and the use tax in 1935. In addition to property tax administration, the BOE currently administers the state's sales and use, fuel, alcohol, tobacco, and numerous other taxes and fees that fund specific state programs.

**COMMENTS**

1. **Sponsor and purpose.** This measure is sponsored by the author to develop a plan to fund and implement a program that provides assistance to low-income water ratepayers.
2. **The May 23, 2014 amendments** (1) remove the requirement that a funding source be identified and moneys appropriated prior to the establishment of the Program, (2) no longer require the Department to establish the Program that will require water service providers in the state to provide discounts or subsidies for eligible low-income residential water ratepayers who enroll, (3) delete the Department's authorization to request specified documentation to determine an enrollee's Program eligibility, (4) remove the Program development requirements, and (5) eliminate the creation of the Low-Income Water Rate Assistance Plan in the State Treasury. **The April 24, 2014 amendments** (1) allowed the Department to collaborate with relevant

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stakeholders to develop a Program funding and implementation plan, (2) required a funding source to be identified and moneys appropriated prior to the establishment of the Program, and (3) made other non-substantive corrections.

3. **The BOE's scope and mission.** The BOE's mission is to service the public through fair, effective, and efficient *tax administration*.

This measure requires the BOE to collaborate with the Department to develop a plan for the Program's funding and implementation. The Act prescribes the Program elements to include specified descriptions: collection and implementation methods, funding assistance mechanism under the Program, and a method to determine the funds necessary to support the Program.

The BOE commits to providing quality customer service. As part of that commitment, the BOE provides information and advice to the Legislature, industry groups, taxpayers, other state agencies, and other interested parties regarding tax and fee programs that the BOE currently administers. However, the proposed BOE collaboration extends beyond the BOE's scope and mission. Except for tax collection and administration expertise, the BOE has no expertise or stated position related to low-income funding assistance or funds necessary to support the Program. Should the bill specify another agency or agencies, instead of or in addition to the BOE, to collaborate with the Department to develop the Program?

## **COST ESTIMATE**

BOE administrative costs related to this bill include staff time to work in collaboration with the Department and stakeholders to develop the Program. Assuming BOE's role is limited to providing technical expertise and assistance, the costs are absorbable.

## **REVENUE ESTIMATE**

This measure does not impact state revenues collected for the state by the BOE.

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